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FISCAL IMPACT STATEMENT

LS 6819
BILL NUMBER: SB 222

NOTE PREPARED: Apr 4, 2011
BILL AMENDED: Apr 4, 2011

SUBJECT: Transportation and Logistics Income Tax Credit.

FIRST AUTHOR: Sen. Wyss
FIRST SPONSOR: Rep. Thompson

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides an income tax credit for expenditures made by a taxpayer for one or more of the following purposes: (1) implementing homeland security measures to comply with federal homeland security requirements, as certified by the Department of Homeland Security; (2) making improvements to real property located in Indiana that are related to constructing a new or modernizing an existing transportation or logistical distribution facility; (3) improving the transportation of goods by highway, rail, water, or air; and (4) making warehouse upgrades or improving logistical distribution. It requires the Department of Homeland Security in consultation with the Department of State Revenue to adopt rules to implement a certification process for homeland security expenditures. It provides that the credit is 35% of the expenditures made by the taxpayer during the taxable year. It limits the credit that may be claimed for a taxable year to the taxpayer's state tax liability for that taxable year. The bill also allows the taxpayer to carryover any unused credit for nine years, and it provides that the credit may not be refunded, carried back, or transferred to another taxpayer.

Effective Date: (Amended) Upon passage; January 1, 2012.

Explanation of State Expenditures: (Revised) *Department of State Revenue (DOR)*:The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the new tax credit. The DOR's current level of resources should be sufficient to implement the new tax credit.

(Revised) *Indiana Department of Homeland Security (IDHS)*: This bill requires the IDHS to certify certain expenditures for implementing homeland security measures as being qualified for the new tax credit. This provision will likely increase expenditures for the IDHS. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: (Revised) *Summary* - This bill establishes a tax credit for entities making certain qualified transportation and logistics investments. The credit is equal to 35% of the qualified expenditures made during the taxable year, and is limited to the taxpayer's state tax liability under the Adjusted Gross Income (AGI) Tax, Financial Institutions, Tax, or Insurance Premiums Tax for the taxable year. The amount of credits that could potentially be claimed beginning in tax year 2012 is indeterminable. The net revenue impact depends upon whether investments would have occurred in the absence of the tax credit. Any fiscal impact due to the bill could commence in FY 2013.

(Revised) *Additional Information* - Qualified expenditures must be expenditures made by the taxpayer for one or more of the following purposes: (1) implementing certain homeland security measures to comply with federal homeland security requirements; (2) making an improvement to real property in Indiana related to constructing a new, or modernizing an existing transportation or logistical distribution facility; (3) improving the transportation of goods on Indiana highways; (4) improving the transportation of goods by rail; (5) improving the transportation of goods by water; (6) improving the transportation of goods by air; and (7) improving warehousing and logistical capabilities. Expenditures that are used by taxpayers for other tax benefits, credits or incentives are not eligible for the tax credit provided by this bill.

The tax credit is equal to 35% of the qualified expenditure made by the taxpayer during the taxable year. Taxpayers may carry forward excess tax credits for up to nine consecutive taxable years, but tax credits may not be carried back or refunded. The tax credit may be applied to individual and corporate Adjusted Gross Income (AGI), Financial Institutions Tax (FIT), and Insurance Premiums Tax (IPT) liabilities. Revenue from these taxes is distributed to the state General Fund.

Current Tax Incentives: The Hoosier Business Investment (HBI) Tax Credit applies to investments in the modernization of logistical distribution facilities, as well as various other investments. This credit, which may be taken against the AGI Tax, IPT, and FIT, is scheduled to sunset December 31, 2013. The amount of the credit is determined by the Indiana Economic Development Corporation (IEDC), but may not exceed 10% of the qualified investment, and may be carried forward for up to nine taxable years. For tax year 2008, there were 282 individuals and corporations that claimed about $9.6 M in HBI credits, but the amount of these awards related to logistical distribution facilities is unknown.

The Alternative Fuel Vehicle Manufacturing Credit also includes the modernization of logistical distribution facilities in its definition of qualified investment. This credit may be taken against the AGI Tax, IPT and FIT. The amount of the credit is determined by the IEDC, but may not exceed 15% of the qualified investment. The credit may be carried forward for up to nine taxable years. About $2,500 in tax credits was claimed by individuals and corporations for tax year 2008.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IDHS.

Local Agencies Affected:

Information Sources: OFMA Income Tax Databases.

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